

Message Text

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PAGE 01 COLOMB 00766 021125Z

ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 AF-08 ARA-06 EA-07 EUR-12

OIC-02 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 /132 W

-----021822 110302 /46

R 021030Z MAR 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 6814

INFO USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD,EFIN,GATT,CE

SUBJECT: GATT BALANCE OF PAYMENTS COMMITTEE: SPRING CONSULTATIONS

REF: (A) STATE 041590, (B) COLOMBO 082(NOTAL)

1.SUMMARY. AS SRI LANKA'S CRITICAL BOP SITUATION AND RESTRICTIVE IMPORT REGIME HAVE NOT CHANGED SUBSTANTIALLY SINCE 1975 CONSULTATIONS, SINCE COUNTRY'S TRADE IS RELATIVELY SMALL, AND BECAUSE NATIONAL ELECTIONS TO BE HELD BEFORE SEPTEMBER 22, EMBASSY DOES NOT RECOMMEND FULL CONSULTATIONS THIS YEAR. END SUMMARY.

2. REFTEL B CONTAINS BOP DATA FOR 1975 AND PROJECTIONS FOR 1976 AND 1977 PREPARED AT END OF 1976 BY GSL EXTERNAL RESOURCES DIVISION (ERD). WHILE FIGURES FOR 1976 LARGELY BASED ON ACTUAL FLOWS, 1977 PROJECTIONS REPRESENT GSL INTERNAL FOREIGN EXCHANGE BUDGET WHICH IS NOT AVAILABLE TO ALL GSL AGENCIES AND SHOULD BE STRICTLY PROTECTED. EMBASSY BELIEVES THESE FIGURES REPRESENT BEST ESTIMATE OF 1977 FOREIGN EXCHANGE EARNINGS. IMPORT LEVELS ARE MINIMUM OBJECTIVES ASSUMING \$50 MILLION
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PAGE 02 COLOMB 00766 021125Z

FOREIGN EXCHANGE GAP CAN BE CLOSED.

3. UNTIL ERD PREPARES REVISED PROJECTIONS FOR APRIL AID GROUP MEETING, REFTEL A DATA ARE MOST CURRENT. REVISION, HOWEVER, IS LIKELY TO SHOW HIGHER LEVEL OF 1977 IMPORTS OF FOOD GRAINS AND TEXTILES AS GSL INCREASING SUPPLY OF CONSUMER GOODS FOR APRIL SINHALA AND TAMIL NEW YEAR CELEBRATIONS

AND RUING PRE-ELECTION PERIOD THIS SUMMER. CURRENT DROUGHT MAY REDUCE PROJECTED VOLUME OF TEA EXPORTS. REVISED PRO- YACTIONS WILL BE TRANSMITTED WHEN AVAILABLE.

4. GENERALLY SPEAKING, SRI LANKA'S BOP SITUATION HAS NOT CHANGED SUBSTANTIALLY SINCE LAST CONSULTATION IN 1975. ALTHOUGH GROSS EXTERNAL ASSETS ROSE IN 1976, DUE TO LOWER COST OF FOOD GRAIN IMPORTS AND SUBSTANTIAL UNDER-UTILIZATION FO FOREIGN EXCHANGE ALLOCATIONS FOR IMPORTS,SRI LANKA CON- TIT- ES TO FACE VERY SERIOUS BOP PROBLEMS. CURRENT PRO- JECTIONS FOR 1977 SHOW TRADE DEFICIT RETURNING TO \$200 MILLION RANGE.DESPITE INCREASE IN TOURISM, SURPLUS ON INVISIBLES EXPECTED TO BE RELATIVELY SMALL RESULTING IN ANTICIPATED RECORD HIGH CURRENT ACCOUNT DEFICIT OF \$145 MILLION FOR THE YEAR.AS INDICATED ABOVE,REVISED PROJECTIONS MAY PAINT EVEN DARKER PICTURE. MOREOVER, GSL PRESENTLY FOLLOWING VERY EXPANSIONARY FISCAL POLICIES WHICH CREATING CONSIDERABLE PENT UP DEMAND AND FLOURISHING BLACK MARKET FOR HARD CURREN- CIES AND SMUGGLED GOODS.AS A CONSEQUENCE, IMPORT CONTROLS REMAIN VERY TIGHT AND ESSENTIALLY UNCHANGED SINCE 1975. ONLY CHANGE LIKELY IS POSSIBLE IMPOSITION OF RESTRICTIONS ON IMPORTS UNDER CONVERTIBLE RUPEE ACCOUNT (CRA) SCHEME. (AT PRESENT, A PERCENTAGE RF EARNINGS FROM NON-TRADITINAL EXPORTS,TOURISM, AND CERTAIN SERVICES MAY BE CREDITED TO CRA'S FOR IMPORT OF MANY PROHIBITED OR QUOTA ITEMS.) AS MANY CRA IMPORTS HAVE BEEN AUTOS AND OTHER CONSPICUOUS LUXURY GOODS, GSL IS UNDER CONSIDERABLE PUBLIC PRESSURE TO RESTRICT CRA IMPORTS. LIMITED OFFICIAL USE

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PAGE 03 COLOMB 00766 021125Z

5. GIVEN PRESENT SITUATION AND FACT THAT SRI LANKA HAS SMALLEST TRADE OF COUNTRIES SHCEDULED FOR MAY BOP CON- SULTATIONS, EMBASSY DOES NOT RECOMMEND FULL CONSULTATIONS THIS YEAR. ADDITIONAL FACTOR IS THT SRI LANKS IS SCHEDULED TO HAVE NATIONAL ELECTIONS SOMETIME BEFORE SEPTMEBER 22. WHICHEVER PARTY (OR PARITES) COMES TO POWER, IT DOUBTFUL NEWLY-ELECTED GSL WOULD BE SUFFICIENTLY ORGANIZED TO PARTICIPATE MEANINGFULLY IN FULL CONSULTATIONS THIS FALL. PERKINS

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Control Number: n/a
Copy: SINGLE
Sent Date: 02-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COLOMB00766
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Document Unique ID: 00
Drafter: n/a
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